

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE APPLICATION OF THE)	
FUEL ADJUSTMENT CLAUSE OF EAST)	CASE NO. 96-522
KENTUCKY POWER COOPERATIVE, INC. FROM)	
NOVEMBER 1, 1994 TO OCTOBER 31, 1996)	

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on November 14, 1996 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of East Kentucky Power Cooperative, Inc. ("EKPC") for the two years ended October 31, 1996 and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

As part of this review, the Commission ordered EKPC to submit certain information concerning its fuel procurements, its fuel usage, and the operation of its FAC. EKPC submitted this information on December 13, 1996. A public hearing was held in this case on March 5, 1997 at which Jerry Bordes, George Carruba, Gary Crawford, Randy Dials, and Don Miller, EKPC officials, testified.

EKPC proposed that the month of January 1996 be used by the Commission as the base period (test month) for the purpose of arriving at the base fuel cost [F(b)] and the KWH sales [S(b)] components of its FAC. It further proposed that its base fuel cost be

changed to 12.48 mills per KWH, the actual fuel cost for the proposed base period. EKPC's current base fuel cost is 12.71 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in EKPC's rates, the Commission must determine whether the proposed base period cost per KWH is representative of the level of fuel cost currently being experienced by EKPC. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of January 1996 is a reasonably representative generation month of EKPC. The analysis of EKPC's monthly fuel clause filings showed that the actual fuel cost incurred for the 2-year period in question ranged from a low of 11.53 mills per KWH in July 1996 to a high of 12.91 mills per KWH in August 1995, with an average cost for the period of 12.21 mills per KWH. Based upon this review, the Commission finds that EKPC has complied with Commission Regulation 807 KAR 5:056 and the proposed base period fuel cost of 12.48 mills per KWH should be approved.

In Case No. 94-459-B,¹ the Commission advised EKPC that it would review and determine whether the cost of power purchased as a result of the non-availability of EKPC's combustion turbines could be included in EKPC's fuel adjustment charge. Since that proceeding, EKPC has reached an agreement with ABB Power Generation, the combustion turbines' manufacturer, which provides, inter alia, for the reimbursement of these costs. EKPC has passed this reimbursement to its members through its fuel adjustment charge.

¹ Case No. 94-459-B, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. From May 1, 1995 to October 31, 1995 (May 23, 1996) at 3.

As a result of these actions, the Commission is of the opinion that the issues posed by EKPC's purchase of replacement power are now moot.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

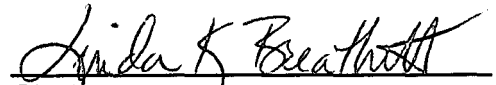
1. EKPC has complied with the provisions of 807 KAR 5:056.
2. The test month of January 1996 should be used as EKPC's base period for this review.
3. EKPC's proposed base period fuel cost of 12.48 mills per KWH should be approved.
4. The establishment of a base fuel cost of 12.48 mills per KWH requires a transfer (roll-in) of <.23> mills per KWH from the FAC rate to EKPC's base rates and can best be accomplished by a uniform decrease in all energy rates.
5. The rates and charges in Appendix A, attached hereto and incorporated herein, are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 12.71 mills per KWH and the new base fuel cost of 12.48 mills per KWH.
6. The rates in Appendix A are fair, just, and reasonable, and should be approved for service rendered on and after September 1, 1997.
7. For service provided on or after September 1, 1997, EKPC should use a FAC rate based on a base fuel cost of 12.48 mills per KWH.
8. EKPC is correctly applying line loss to its inter-system sales.


IT IS THEREFORE ORDERED that:

1. The charges and credits applied by EKPC through the FAC for the period November 1, 1994 to October 31, 1996 are approved.
2. EKPC's proposed base fuel cost of 12.48 mills per KWH is approved.
3. The rates and charges in Appendix A are fair, just, and reasonable and are approved for service rendered on and after September 1, 1997.
4. For service provided on or after September 1, 1997, EKPC shall use a FAC rate based on a base fuel cost of 12.48 mills per KWH.
5. Within 30 days of the date of this Order, EKPC shall file with the Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 20th day of August, 1997..

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 96-522 DATED AUGUST 20, 1997

The following rates and charges are prescribed for the customers in the area served by East Kentucky Power Cooperative, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE A

Monthly Rate - Per Load Center

Energy Charge:	\$.019555 Per KWH
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SCHEDULE E

Monthly Rate

Energy Charge:	
On-Peak	\$.019850 Per KWH
Off-Peak	\$.019348 Per KWH

SCHEDULE B

Monthly Rate

Energy Charge:	\$.019555 Per KWH
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SCHEDULE C

Monthly Rate

Energy Charge:	\$.019555 Per KWH
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SCHEDULE G

Monthly Rate

Energy Charge:	\$.017790 Per KWH
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